

IN THE UNITED STATES DISTRICT COURT FOR THE
WESTERN DISTRICT OF TEXAS
WACO DIVISION

FILED

APR 08 2009

CLERK, U.S. DISTRICT COURT
WESTERN DISTRICT OF TEXAS
BY [Signature] DEPUTY CLERK

LIFE PARTNERS HOLDINGS, INC. §
AND BRIAN PARDO, §
Plaintiffs §
VS. §
PHILLIP KANE, §
Defendant §

CIVIL ACTION NO.

W09CA 085

COMPLAINT

TO THE HONORABLE JUDGE OF SAID COURT:

COME LIFE PARTNERS HOLDINGS, INC. and BRIAN PARDO, Plaintiffs,
and file this Complaint, complaining of PHILLIP KANE, Defendant,
and would show the Court the following:

Parties

1. Plaintiff, LIFE PARTNERS HOLDINGS, INC., is incorporated
under the laws of the State of Texas and is domiciled in Waco,
Texas. Plaintiff, BRIAN PARDO, is a citizen of the State of Texas.

2. Defendant, PHILLIP KANE, is a natural person and is a
citizen of the State of New Jersey and may be served at 333 River
Street, Hoboken, New Jersey 07030-5856.

Jurisdiction

3. This Court has jurisdiction of this suit pursuant to 28
U.S.C. §1332, for this is a suit between citizens of different
states, and the matter in controversy exceeds the sum or value of
\$75,000.00, exclusive of interest and costs.

Venue

4. Venue is proper in the Western District of Texas by virtue of 28 U.S.C. §1391 and is founded on diversity of citizenship and is brought in the judicial district in which a substantial part of the events or omissions given rise to the claim occurred. This suit is brought for libel which was published to third parties in McLennan County, Texas, which is in the Waco Division of the Western District of Texas.

Factual Allegations

5. At all times material hereto, LIFE PARTNERS HOLDINGS, INC. was and is a corporation incorporated under the laws of the State of Texas with its domicile in Waco, Texas. LPHI is a holding company and the parent company of Life Partners, Inc., a life settlement company. Life Partners, Inc. has been in this business for over seventeen (17) years and maintains a good reputation in the industry as a reputable and ethical company. LPHI is a publicly traded holding company of Life Partners, Inc. and is traded on the NASDAQ stock exchange under the ticker symbol LPHI. LPHI possesses and maintains a good reputation in the industry as a reputable and ethical company.

6. At all material times, BRIAN PARDO was and is the CEO of LPHI. He has managed LPHI for many years and has maintained a good reputation in that industry as a reputable and ethical individual.

7. Upon information and belief, the Defendant, PHILLIP KANE, is a natural person residing in New Jersey and using the fictitious

name or screen name of reel_mckoi on Yahoo Finance, an internet service provider. Beginning in 2009, the Defendant has been posting false, misleading and libelous statements about LPHI and PARDO on online message boards. These postings are made under veil of attempted anonymity through online usernames. In posting the false and libelous statements about Plaintiffs on Yahoo Finance, Defendant knew that this information would be published to third parties all over the world, including third parties in Waco, Texas. These statements were published and communicated in writing and in print to third parties capable of understanding their defamatory import in Waco, Texas. The Defendant well knew that the messages posted by him on the internet were libelous and untrue, and they were posted by the Defendant in an effort to intentionally injure and harm Plaintiffs and expose Plaintiffs to public hatred, ridicule, financial injury and thereby exposing Plaintiffs to public hatred, ridicule and financial injury.

8. Some of the libelous statements posted by Defendant are as follows:

- a. "lphi=scam rips off INVESTORS!!! and policy sellers! will be shut down soon..."
- b. "Scam policies; typical of industry."
- c. "LPHI out of business by March 31st? any takers? eyes are all over them now...how many of their stupid 'high worth retail' investors will ignore all the warning signs...look out for blood and guts coming next week..."
- d. "Pardo (the CEO of LPHI) will go to jail selling to naive retail customers extremely complex deal like life settlements! hah...the 2 bit auditors will go with him."

- e. "...the vast majority of the market is farudsters (sic) like LPHI."
- f. "life settlements = ponzi scheme"
- g. "business is a complete sham....they ripp (sic) of (sic) policyholders and scam investors..."

The above statements are untrue and libelous per se and, in addition to committing the tort of defamation, has committed the tort of business disparagement. Defendant with lack of privilege published such statements with actual malice and/or with negligence regarding the truth of the statements, proximately causing Plaintiffs to suffer special damages as hereinafter set out.

9. Upon information and belief, Plaintiffs will show that Defendant in conspiracy with unnamed conspirators are engaging in selling stock of LPHI short. The stock being sold short by them is done with the belief that the stock price will decrease and that they will be able to buy the shares in the market at a lower price to cover the short sales. The Defendant and his co-conspirators desiring for the value of the stock to fall is the motive for Defendant's placing the libelous statements on the internet. He is attempting to manipulate and drive the stock price lower and injure Plaintiffs, so that Defendant and the co-conspirators can make a large profit when purchasing the shares to cover the short sales.

Damages

10. Since the above statements are libelous per se, damages are conclusively presumed and need not be proved, and each Plaintiff is entitled to recover presumed actual damages in the

amount of 10 million dollars each.

Even though the language is actionable per se, Plaintiffs are also entitled to recover for business disparagement and other special damages as set out in paragraph 11.

11. As a direct and proximate result of the libelous statements made by the Defendant, LPHI has suffered damage to its reputation which has resulted in loss of profits which it would have made. In addition thereto, LPHI owns shares of its stock which, had the slanderous statements not been made, it could have sold for \$40.00 a share. As a result of the slanderous statements, the market value of the shares has been reduced, to LPHI's additional damages. The total damage suffered by LPHI, for which this suit is brought, is in excess of 10 million dollars.

PARDO has been the CEO of LPHI for many years, during which time he has built up an excellent reputation in honesty, fair dealing and providing excellent leadership for LPHI. As a result of the libelous statements, this reputation has been seriously damaged, resulting in damage to PARDO. Plaintiffs allege that PARDO is entitled and asks that judgment be taken against the Defendant for his damages in a sum in excess of 10 million dollars.

Exemplary Damages

12. Placing the false statements on the internet was done maliciously and with the intent to injure Plaintiffs; therefore, in addition to the damages hereinafter, set out Plaintiffs are entitled to recover exemplary or punitive damages to deter the

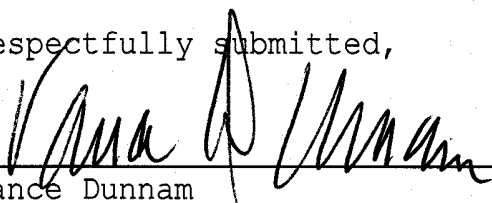
Defendant and those of like nature from repeating such conduct, which should be at least the sum of 50 million dollars.

Injunction

13. Plaintiffs will show that unless the Court enters a permanent injunction against Defendant enjoining him from making the above statements or similar libelous statements about the Plaintiffs or either of them, that the Plaintiffs will suffer irreparable harm and damage, for which they have no adequate remedy at law and that the Defendant should be enjoined and restrained permanently from making any slanderous or libelous statements against the Plaintiffs.

WHEREFORE, Plaintiffs pray that Defendant be cited and upon hearing hereof that each Plaintiff have judgment for his damages, costs of court and any other relief for which each Plaintiff is entitled to receive.

Respectfully submitted,



Vance Dunnam
State Bar No. 06257000
4125 West Waco Drive
Post Office Box 8418
Waco, Texas 76714
(254) 753-6437
FAX (254) 753-7434

ATTORNEY FOR PLAINTIFFS

THE STATE OF TEXAS)

COUNTY OF McLENNAN)

I, BRIAN PARDO, after having been duly sworn upon oath, state that I am the Plaintiff in the above Complaint, and the

facts contained therein are true and correct.



BRIAN PARDO

SWORN TO AND SUBSCRIBED BEFORE ME by the said BRIAN PARDO on
this 7 day of April, 2009.



Notary Public, State of Texas

W09CA 085

JS 44 (Rev. 12/07)

CIVIL COVER SHEET

The JS 44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. (SEE INSTRUCTIONS ON THE REVERSE OF THE FORM.)

I. (a) PLAINTIFFS Life Partners Holdings, Inc. and Brian Pardo	DEFENDANTS Phillip Kane
(b) County of Residence of First Listed Plaintiff <u>McLennan County</u> (EXCEPT IN U.S. PLAINTIFF CASES)	County of Residence of First Listed Defendant <u>Hudson County</u> (IN U.S. PLAINTIFF CASES ONLY)
(c) Attorney's (Firm Name, Address, and Telephone Number) Vance Dunnam 4125 West Waco, Drive, Waco, Texas. 76714 254-753-7434	NOTE: IN LAND CONDEMNATION CASES, USE THE LOCATION OF THE LAND INVOLVED. Attorneys (If Known)

II. BASIS OF JURISDICTION (Place an "X" in One Box Only)	III. CITIZENSHIP OF PRINCIPAL PARTIES (Place an "X" in One Box for Plaintiff and One Box for Defendant)																								
<input type="checkbox"/> 1 U.S. Government Plaintiff <input type="checkbox"/> 2 U.S. Government Defendant <input type="checkbox"/> 3 Federal Question (U.S. Government Not a Party) <input checked="" type="checkbox"/> 4 Diversity (Indicate Citizenship of Parties in Item III)	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th></th> <th>PTF</th> <th>DEF</th> <th></th> <th>PTF</th> <th>DEF</th> </tr> <tr> <td>Citizen of This State</td> <td><input checked="" type="checkbox"/> 1</td> <td><input type="checkbox"/> 1</td> <td>Incorporated or Principal Place of Business In This State</td> <td><input type="checkbox"/> 4</td> <td><input type="checkbox"/> 4</td> </tr> <tr> <td>Citizen of Another State</td> <td><input type="checkbox"/> 2</td> <td><input checked="" type="checkbox"/> 2</td> <td>Incorporated and Principal Place of Business In Another State</td> <td><input type="checkbox"/> 5</td> <td><input type="checkbox"/> 5</td> </tr> <tr> <td>Citizen or Subject of a Foreign Country</td> <td><input type="checkbox"/> 3</td> <td><input type="checkbox"/> 3</td> <td>Foreign Nation</td> <td><input type="checkbox"/> 6</td> <td><input type="checkbox"/> 6</td> </tr> </table>		PTF	DEF		PTF	DEF	Citizen of This State	<input checked="" type="checkbox"/> 1	<input type="checkbox"/> 1	Incorporated or Principal Place of Business In This State	<input type="checkbox"/> 4	<input type="checkbox"/> 4	Citizen of Another State	<input type="checkbox"/> 2	<input checked="" type="checkbox"/> 2	Incorporated and Principal Place of Business In Another State	<input type="checkbox"/> 5	<input type="checkbox"/> 5	Citizen or Subject of a Foreign Country	<input type="checkbox"/> 3	<input type="checkbox"/> 3	Foreign Nation	<input type="checkbox"/> 6	<input type="checkbox"/> 6
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Citizen or Subject of a Foreign Country	<input type="checkbox"/> 3	<input type="checkbox"/> 3	Foreign Nation	<input type="checkbox"/> 6	<input type="checkbox"/> 6																				

IV. NATURE OF SUIT (Place an "X" in One Box Only)					
CONTRACT <input type="checkbox"/> 110 Insurance <input type="checkbox"/> 120 Marine <input type="checkbox"/> 130 Miller Act <input type="checkbox"/> 140 Negotiable Instrument <input type="checkbox"/> 150 Recovery of Overpayment & Enforcement of Judgment <input type="checkbox"/> 151 Medicare Act <input type="checkbox"/> 152 Recovery of Defaulted Student Loans (Excl. Veterans) <input type="checkbox"/> 153 Recovery of Overpayment of Veteran's Benefits <input type="checkbox"/> 160 Stockholders' Suits <input type="checkbox"/> 190 Other Contract <input type="checkbox"/> 195 Contract Product Liability <input type="checkbox"/> 196 Franchise	PERSONAL INJURY <input type="checkbox"/> 310 Airplane <input type="checkbox"/> 315 Airplane Product Liability <input checked="" type="checkbox"/> 320 Assault, Libel & Slander <input type="checkbox"/> 330 Federal Employers' Liability <input type="checkbox"/> 340 Marine <input type="checkbox"/> 345 Marine Product Liability <input type="checkbox"/> 350 Motor Vehicle <input type="checkbox"/> 355 Motor Vehicle Product Liability <input type="checkbox"/> 360 Other Personal Injury	PERSONAL INJURY <input type="checkbox"/> 362 Personal Injury - Med. Malpractice <input type="checkbox"/> 365 Personal Injury - Product Liability <input type="checkbox"/> 368 Asbestos Personal Injury Product Liability PERSONAL PROPERTY <input type="checkbox"/> 370 Other Fraud <input type="checkbox"/> 371 Truth in Lending <input type="checkbox"/> 380 Other Personal Property Damage <input type="checkbox"/> 385 Property Damage Product Liability	FORFEITURE/PENALTY <input type="checkbox"/> 610 Agriculture <input type="checkbox"/> 620 Other Food & Drug <input type="checkbox"/> 625 Drug Related Seizure of Property 21 USC 881 <input type="checkbox"/> 630 Liquor Laws <input type="checkbox"/> 640 R.R. & Truck <input type="checkbox"/> 650 Airline Regs. <input type="checkbox"/> 660 Occupational Safety/Health <input type="checkbox"/> 690 Other LABOR <input type="checkbox"/> 710 Fair Labor Standards Act <input type="checkbox"/> 720 Labor/Mgmt. Relations <input type="checkbox"/> 730 Labor/Mgmt. Reporting & Disclosure Act <input type="checkbox"/> 740 Railway Labor Act <input type="checkbox"/> 790 Other Labor Litigation <input type="checkbox"/> 791 Empl. Ret. Inc. Security Act IMMIGRATION <input type="checkbox"/> 462 Naturalization Application <input type="checkbox"/> 463 Habeas Corpus - Alien Detainee <input type="checkbox"/> 465 Other Immigration Actions	BANKRUPTCY <input type="checkbox"/> 422 Appeal 28 USC 158 <input type="checkbox"/> 423 Withdrawal 28 USC 157 PROPERTY RIGHTS <input type="checkbox"/> 820 Copyrights <input type="checkbox"/> 830 Patent <input type="checkbox"/> 840 Trademark SOCIAL SECURITY <input type="checkbox"/> 861 HIA (1395ff) <input type="checkbox"/> 862 Black Lung (923) <input type="checkbox"/> 863 DIWC/DIWW (405(g)) <input type="checkbox"/> 864 SSID Title XVI <input type="checkbox"/> 865 RSI (405(g)) FEDERAL TAX SUITS <input type="checkbox"/> 870 Taxes (U.S. Plaintiff or Defendant) <input type="checkbox"/> 871 IRS—Third Party 26 USC 7609	OTHER STATUTES <input type="checkbox"/> 400 State Reapportionment <input type="checkbox"/> 410 Antitrust <input type="checkbox"/> 430 Banks and Banking <input type="checkbox"/> 450 Commerce <input type="checkbox"/> 460 Deportation <input type="checkbox"/> 470 Racketeer Influenced and Corrupt Organizations <input type="checkbox"/> 480 Consumer Credit <input type="checkbox"/> 490 Cable/Sat TV <input type="checkbox"/> 810 Selective Service <input type="checkbox"/> 850 Securities/Commodities/Exchange <input type="checkbox"/> 875 Customer Challenge 12 USC 3410 <input type="checkbox"/> 890 Other Statutory Actions <input type="checkbox"/> 891 Agricultural Acts <input type="checkbox"/> 892 Economic Stabilization Act <input type="checkbox"/> 893 Environmental Matters <input type="checkbox"/> 894 Energy Allocation Act <input type="checkbox"/> 895 Freedom of Information Act <input type="checkbox"/> 900 Appeal of Fee Determination Under Equal Access to Justice <input type="checkbox"/> 950 Constitutionality of State Statutes
REAL PROPERTY <input type="checkbox"/> 210 Land Condemnation <input type="checkbox"/> 220 Foreclosure <input type="checkbox"/> 230 Rent Lease & Ejectment <input type="checkbox"/> 240 Torts to Land <input type="checkbox"/> 245 Tort Product Liability <input type="checkbox"/> 290 All Other Real Property	CIVIL RIGHTS <input type="checkbox"/> 441 Voting <input type="checkbox"/> 442 Employment <input type="checkbox"/> 443 Housing/Accommodations <input type="checkbox"/> 444 Welfare <input type="checkbox"/> 445 Amer. w/Disabilities - Employment <input type="checkbox"/> 446 Amer. w/Disabilities - Other <input type="checkbox"/> 440 Other Civil Rights	PRISONER PETITIONS <input type="checkbox"/> 510 Motions to Vacate Sentence Habeas Corpus: <input type="checkbox"/> 530 General <input type="checkbox"/> 535 Death Penalty <input type="checkbox"/> 540 Mandamus & Other <input type="checkbox"/> 550 Civil Rights <input type="checkbox"/> 555 Prison Condition			

V. ORIGIN (Place an "X" in One Box Only)						
<input checked="" type="checkbox"/> 1 Original Proceeding	<input type="checkbox"/> 2 Removed from State Court	<input type="checkbox"/> 3 Remanded from Appellate Court	<input type="checkbox"/> 4 Reinstated or Reopened	<input type="checkbox"/> 5 Transferred from another district (specify)	<input type="checkbox"/> 6 Multidistrict Litigation	<input type="checkbox"/> 7 Appeal to District Judge from Magistrate Judgment

VI. CAUSE OF ACTION	Cite the U.S. Civil Statute under which you are filing (Do not cite jurisdictional statutes unless diversity): <u>28 U.S.C. Section 1332</u> Brief description of cause: <u>Libel and business disparagement</u>
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VII. REQUESTED IN COMPLAINT:	<input type="checkbox"/> CHECK IF THIS IS A CLASS ACTION UNDER F.R.C.P. 23	DEMAND \$ CHECK YES only if demanded in complaint: JURY DEMAND: <input type="checkbox"/> Yes <input type="checkbox"/> No
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VIII. RELATED CASE(S) IF ANY	(See instructions): JUDGE _____	DOCKET NUMBER _____
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DATE _____ SIGNATURE OF ATTORNEY OF RECORD _____

FOR OFFICE USE ONLY

RECEIPT # _____ AMOUNT _____ APPLYING IFP _____ JUDGE _____ MAG. JUDGE _____

INTAKE COPY

FILING FEE RECEIPT COPY

DUPLICATE

Court Name: TEXAS WESTERN
Division: 6
Receipt Number: 600001236
Cashier ID: mcunning
Transaction Date: 04/08/2009
Payer Name: Dunnam Dunnam LLP

CIVIL FILING FEE
For: Dunnam Dunnam LLP
Amount: \$350.00

CHECK
Remitter: Dunnam & Dunnam LLP
Check/Money Order Num: 14879
Amt Tendered: \$350.00

Total Due: \$350.00
Total Tendered: \$350.00
Change Amt: \$0.00

Filing Fee Civil Case, Life
Partners Holdings, Inc. and Brian
Pardo vs. Phillip Kane, D TXW 6 09
CV 000085 001.